



What is a percentile?

Those individuals with good enough memories to recall their SATs or ACTs may also remember that, in addition to the raw score, they also got a “percentile” number. This number, such as 80, gave you an idea of where you stood in relation to others who took the test.

The percentile value, which ranges from 1 to 99, tells you basically what percentage of the population you outscored (had a higher value). In the example above, being at the 80th percentile, means that you did better than 80% of the people taking the test.

Percentiles are very useful in benchmarking performance. Using percentiles is a quick, easy and convenient way to place either a financial or operating performance measure in the context of the “universe” of comparison organizations.

In retail, for example, if one is at the 20th percentile of peers on sales per employee, something needs to be fixed. It could indicate too many employees, not enough training, poor displays, or even not enough hours open. By looking at several ratios and percentiles, managers can narrow the list of likely culprits. Looking at percentile rankings over a range of ratios helps in rapid analysis and provides a comprehensive assessment of relative strengths and weaknesses.

Gerke & Associates, Inc.

1123 Wilkes Blvd, Suite 320, Columbia MO 65201 • phone: 573-875-7125 • email: bizbench@gerke.com